

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

STATUTORY REVIEW OF THE SYSTEM
FOR REGULATING RATES AND CLASSES
FOR MARKET DOMINANT PRODUCTS

Docket No. RM2017-3

**COMMENTS OF
THE NATIONAL POSTAL POLICY COUNCIL,
THE MAJOR MAILERS ASSOCIATION, AND THE
NATIONAL ASSOCIATION OF PRESORT MAILERS
IN RESPONSE TO ORDER NO. 4574**

(April 30, 2018)

The National Postal Policy Council (“NPPC”), the Major Mailers Association (“MMA”), and the National Association of Presort Mailers (“NAPM”), collectively, the “First-Class Business Mailers,” hereby respectfully submit these further comments in response to reply to Order No. 4574.¹

In Order No. 4574, the Commission terminated the non-public status of certain graphical charts contained in Appendix G to the Postal Service’s March 20, 2017, Comments, and Appendix A to its March 1, 2018, Comments (an “update” to the Appendix G materials filed the previous year) in this proceeding. The Commission also extended the comment period by ten days to allow comments on the newly public materials.

The First-Class Business Mailers regard these two sets of charts as much ado about very little. As Order No. 4574 notes, each Appendix consists of charts

¹ Docket No. RM2017-3, *Order Granting Motion for Early Termination of the Non-public Status of Appendices A and G and Providing Limited Extension of Comment Deadline* (Apr. 13, 2018).

that purport to project the Postal Service's financial condition either ten or five years into the future. The charts include a "baseline" that assumes a recession of half of the impact of the 2007-2009 recession and an "optimistic" scenario that assumes no recession; and also projects each scenario assuming (1) retention of the statutorily-mandated CPI-U price cap and (2) adoption of the "supplemental CPI+2 percent" increase proposed in Order No. 4258.

As the Commission observed in Order No. 4574, the Appendix A and G charts do little more than display in graph format "the Postal Service's own public remarks about its financial projections." Order No. 4574 at 20. The charts contain no significant additional information, nor do they "necessarily represent an actual forecast or strategy." *Id.* at 23 (*quoting* USPS March 1, 2017, Comments at 141, n.271). As such, the charts add nothing to what the Postal Service has said, merely using words instead of pictures, previously in this proceeding.

Nor do the charts address what levels of revenue and expenses that the Postal Service would need to "maintain and continue the development of postal services of the kind and quality adapted to the needs of the United States," an analysis essential to assessing financial stability under Objective 5.² See 39 U.S.C. §3622(d)(1)(E). The charts simply forecast revenues and calculate losses, yet are remarkably free of the documentation and basic support that would be

² For why this is the correct standard for assessing financial stability under Objective 5, see *Comments of the National Postal Policy Council, the Major Mailers Association, and the National Association of Presort Mailers*, at 48-50 (Mar. 1, 2018) & *Reply Comments of the National Postal Policy Council, the Major Mailers Association, and the National Association of Presort Mailers*, at 20-22 (Mar. 30, 2018).

necessary for the Commission to rely upon them for any conclusions in this proceeding. The underlying data, assumptions, projection/forecasting methods or Postal Service internal business judgments are not disclosed.³

Moreover, the charts exemplify the Postal Service's "more revenue only" approach to this proceeding by focusing on revenue while appearing to ignore any cost reduction or efficiency promoting efforts. As the Commission notes, the Appendix A and G charts "do not identify any specific efficiency-based opportunities incorporated into the final outputs." Order No. 4574 at 19. The Commission found in Order No. 4257 that the Postal Service had not done enough to reduce costs and improve efficiency, and the now-public charts give no reason to think that the Postal Service is assuming that much in the way of further efforts will occur going forward.⁴ None are named, and in any event no description of their effects is offered.

In response to a motion asking that the Postal Service provide the underlying support for the Appendix A charts, the Service filed additional materials on March 16, 2018. It is the First-Class Business Mailers' understanding that those March 16 materials are still considered non-public.⁵

³ In contrast, the "Controllable Cost" model presented in the (public) comments and associated library references of the First-Class Business Mailers filed on March 1 and March 30, 2018 – which demonstrated how the Postal Service's finances could improve with a concerted effort to reduce costs -- identified all of the assumptions and the basis for each.

⁴ In opposing early termination of the non-public status of these charts, the Postal Service had expressed a desire to protect the confidentiality of "the conclusions or recommendations" of the A&M Cost Report filed on March 1, 2017. The A&M report remains confidential. Order No. 4574 at 24.

⁵ Order No. 4574 appears to refer to these materials as the "Appendix A Workpapers." Order No. 4574, n.18 & n.36.

However, those materials⁶ give almost no information about the assumptions underlying the charts, or about volume changes and expenses, or whether the charts incorporate *any* efficiency-based opportunities. The First-Class Business Mailers concur with the description of those documents offered by ANM *et al* in their public March 30, 2018, reply comments:

The supposed “workpapers” provided by the Postal Service in response to the mailers’ March 8 motion for full documentation of Appendix A are stonewalling. As detailed in nonpublic Appendix B to these reply comments, many of the most critical data, assumptions and calculations underlying the loss and liquidity projections in USPS Appendix A remain unverified and unverifiable. The black box is still largely a black box.

Reply Comments of Alliance of Nonprofit Mailers, American Catalog Mailers Association, Inc., Association for Postal Commerce, Data & Marketing Association, Idealliance, and MPA—the Association of Magazine Media, at 34.

Order No. 4574 discusses the important national interest in transparency into the Postal Service’s operations. Unfortunately, the charts in Appendices A and G shed little light into the likely accuracy or reliability of the Postal Service’s financial projections, and provide the Commission little grounds for placing any reliance upon them in this proceeding. As but one example, the charts assume – contrary to recent history -- that the Postal Service will not continue to default on its retiree-related obligations. Indeed, it appears that not even the Postal Service continues to regard the Appendix A charts as particularly useful.⁷

⁶ Certain representatives of the First-Class Business Mailers have been granted access to these materials. *Order Granting Unopposed Motion For Access*, Order No. 4442 (Mar. 22, 2018).

⁷ *Compare USPS March 1 Comments* at 7-8 (stating that the Appendix A charts “project[] the Postal Service’s losses and liquidity over five years” under either the current or proposed +2

For the foregoing reasons, the First-Class Business Mailers respectfully urge the Commission to place no weight on the charts contained in Appendix A to the Postal Service's March 1, 2018, Comments and in Appendix G to its March 20, 2017, Comments.

Respectfully submitted,

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percent models) with *Notice of the United States Postal Service of Filing Non-Public Materials*, at 1 & 3 (Mar. 16, 2018) (characterizing the Appendix A charts as an "illustration" that is not intended for use by the Commission in designing a modified system) and *USPS Response to Motion of PostCom et al. for Early Termination of Non-Public Status of Two Documents Filed Under Seal*, at 3 & 4 (Mar. 23, 2018) (Appendix A charts are used to "illustrate" the likely impact of the Order No. 4258 proposals and that the role of Appendix A is "far from substantial"). See discussion in *Comments of ANM et al.* at 34-36 (Mar. 30, 2018).